

PUBLIC DISCLOSURE

JUNE 2, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FLAGSHIP BANK and TRUST COMPANY

120 FRONT STREET
WORCESTER, MA 01608

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **FLAGSHIP BANK AND TRUST COMPANY (Flagship)** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JUNE 2, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "OUTSTANDING "

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The rating period for this evaluation is December 13, 1999, to June 2, 2003.

Flagship Bank was evaluated according to the CRA Large Institution Examination Procedures, including an evaluation of the bank's Lending, Investments and Services. The assigned CRA rating is based on the results of these three performance tests. The greatest weight in assigning the overall CRA rating was given to the Lending Test.

Lending Test

Lending levels reflect an excellent responsiveness to the assessment area's credit needs. A substantial majority of the bank's business, consumer, and home mortgage loans were originated within the assessment area. In addition, the geographic distribution of loans reflects an excellent penetration throughout that area. Based upon a review of the lending data, the bank has achieved an excellent penetration among borrowers of different income levels and businesses of different revenues. Flagship uses innovative and flexible-lending practices to better meet the assessment area's credit needs. In addition, the bank is considered a leader in extending community development loans.

Investment Test

The bank has a significant level of qualified investments, demonstrating a good responsiveness to the area's economic development needs. In addition, the bank occasionally uses innovative or complex investments to support community development initiatives.

Service Test

The bank's delivery systems are accessible to essentially all portions of the assessment area. Services are tailored to the convenience and needs of the entire assessment area. In addition, the bank is a leader among institutions of its asset size for providing community development services.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **FLAGSHIP BANK and TRUST COMPANY, WORCESTER MASSACHUSETTS**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Flagship Bank & Trust Company			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION:

Flagship Bank and Trust Company ("Flagship") is a Massachusetts state-chartered commercial bank headquartered in Worcester, Massachusetts. Flagship is a wholly owned subsidiary of the Chittenden Corporation, a \$4.9 billion multi-bank holding company located in Burlington, Vermont. Flagship's affiliated banks include Chittenden Trust Company, Burlington, Vermont; The Bank of Western Massachusetts, Springfield, Massachusetts; Maine Bank and Trust Company, Portland, Maine; and Ocean National Bank, Kennebunk, Maine. The bank has one subsidiary, Flagship Securities Corporation, which was established to hold securities for tax benefits in Massachusetts.

Flagship operates seven full-service banking locations. The main office and four branch offices are within the City of Worcester. A branch office is also maintained in the neighboring Town of Shrewsbury and in the City of Leominster about 20 miles north of Worcester. Each of the full-service banking offices has at least one Automated Teller Machine (ATM) on site. The bank also operates a stand alone ATM at Union Station in Worcester.

Flagship is a full-service institution that offers its retail customers an array of financial services. In terms of deposit services, customers can choose from a selection of savings, checking, and retirement accounts. Investment products such as mutual funds, fixed and variable annuities, and retirement accounts are available through the bank's affiliate Chittenden Securities Corporation. Customers can also obtain a variety of insurance products through the bank's affiliate, the Chittenden Insurance Group. In terms of credit services, the bank extends an assortment of secured and unsecured consumer loan products including home equity lines, home equity loans, personal loans, automobile loans, recreational vehicle loans, and home improvement loans. Flagship also provides customers with access to a variety of home-financing programs through its affiliate Chittenden Trust Company. Home mortgage credit products include conventional and government insured loan products for the purchase, refinance, improvement, or construction of residential property.

The bank also offers a selection of deposit, loan, and special services geared toward its business and commercial customers. A variety of savings, checking, and investment account services are available. Financing for business and commercial customers includes working capital lines of credit, equipment term loans, commercial real estate loans, leasehold improvement loans, asset-based lending, and business credit cards. Cash management and other specialized services such as credit card acceptance, payroll services, private banking, and retirement plans are also offered. Additionally, the bank

provides business customers with international trade services and access to a selection of insurance products.

Flagship had total assets of \$495.0 million as of December 31, 2002. Assets have increased \$70.1 million or 16.5 percent since December 31, 2000. Asset growth has been centered mainly in the securities portfolio, which now totals \$229.6 million and comprises 46.4 percent of total assets. The loan portfolio has grown a comparatively modest 4.4 percent and now comprises roughly the same proportion of total assets as the securities portfolio.

Loans totaled \$231.9 million as of December 31, 2002, and comprise 46.8 percent of total assets. Refer to Table 1 for the distribution of the loan portfolio.

Table 1 – Loan Distribution as of December 31, 2002		
Loan Type	Dollar Amount \$(000)	Percent of Total Loans (%)
Construction and Land Development	15,491	6.7
Secured by Farmland	0	0.0
1-4 Family Residential	18,329	7.9
Multi-Family (5 or more) Residential	3,667	1.6
Commercial	134,924	58.2
Total Real Estate Loans	172,411	74.4
Commercial and Industrial	45,714	19.7
Agricultural	0	0.0
Consumer	9,745	4.2
Other	4,027	1.7
Less: Unearned Income	0	0.0
Total Loans	231,897	100.0

Source: Consolidated Report of Condition and Income (Call Reports)

As shown in Table 1, the bank is primarily a commercial lender with 58.2 percent of the loan portfolio secured by commercial real estate. Commercial real estate loans are typically collateralized by the properties used for the borrowers' business, such as small office buildings, restaurants, and retail facilities. Another 19.7 percent of the loan portfolio is categorized as commercial and industrial loans. These business loans are unsecured or secured by assets other than real estate. The bank also offers home mortgage credit. Loans secured by one-to four-family homes comprise 7.9 percent of the loan portfolio. These loans are mostly revolving home equity lines of credit and to a lesser extent, closed-end mortgage loans.

Flagship's net loan to deposit (LTD) ratio is currently 50.3 percent based on net loans of \$227.5 million and total deposits of \$452.4 million. The bank is funding its lending activities through deposit growth. Flagship originates loans for its own portfolio and generally does not sell loans on the secondary market. The LTD ratio has averaged 51.9 percent since December 31, 2000.

The bank's CRA performance was last evaluated by the FDIC on December 13, 1999 and was rated "Outstanding." The bank also received an "Outstanding" rating from the Massachusetts Division of Banks on December 3, 1998.

There are no financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area. Flagship's ability to meet the community's credit needs remains positive based on its asset size, product offerings, branch network, and the support that it receives from its parent company.

DESCRIPTION OF THE ASSESSMENT AREA

The Community Reinvestment Act requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Flagship has defined a single assessment area that includes 19 cities and towns in central Massachusetts. Fourteen of these communities are located in the Worcester, MA-CT Primary Metropolitan Statistical Area (MSA), including Auburn, Boylston, Grafton, Holden, Leicester, Millbury, Northborough, Paxton, Princeton, Shrewsbury, Sterling, West Boylston, Westborough, and Worcester. Four of the communities; Fitchburg, Leominster, Lunenburg, and Westminster; are located in the Fitchburg-Leominster, MA MSA. Lastly, the Town of Lancaster falls

within the Boston, MA-NH MSA. Each of these MSAs is contained within the Boston Consolidated MSA.

The assessment area as currently defined meets the technical requirements of the Community Reinvestment Act since it (1) consists of one or more political subdivisions, (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The cities and towns that make up the bank's assessment area are comprised of 95 census tracts. In terms of income classification, there are 7 low-, 16 moderate-, 49 middle-, and 23 upper-income census tracts. The City of Worcester accounts for 6 of the low-income census tracts, with the remaining low-income census tract located in the City of Fitchburg. These same 2 cities also account for most of the assessment area's 16 moderate-income census tracts with 11 located in Worcester and 3 in Fitchburg. The remaining 2 moderate-income census tracts are located in the City of Leominster. The assessment area has an additional 3 census tracts that are categorized as "zero income" as they contain minimal population and few, if any, housing units. These 3 census tracts are not included in the total census tracts discussed above and will not be considered in this evaluation.

According to the 1990 U.S. Census data, the assessment area's median family income was \$41,714. The Department of Housing and Urban Development (HUD) provides adjusted median family income estimates annually in order to account for inflation. The assessment area's HUD adjusted median family income for 2002 was \$59,097, an increase of 41.6 percent above the 1990 median family income. The 2002 HUD adjusted median family income for the metropolitan areas that comprise the bank's assessment area are as follows: Boston, MA-NH MSA- \$74,200; Fitchburg-Leominster, MA MSA - \$60,900; and the Worcester, MA-CT PMSA - \$58,400.

According to 1990 U.S. Census data, the assessment area has a permanent population of just over 410,217 persons residing in settings that range from the urban neighborhoods of Worcester to locations in Holden, Paxton, and Princeton that are more rural in character. The largest population concentration is within Worcester with 169,759 residents or 41.4 percent of the assessment area's total population.

The assessment area's population comprises 105,460 family households. Of these households, 19.5 percent are low income, 16.8 percent are moderate income, 24.2 percent are middle income, and 39.5 percent are upper income. Approximately 7.4 percent of the total family households fall below the poverty level. The geographic distribution of the households by income varies depending on the degree of urbanization. The Cities of Worcester and Fitchburg, for example, have higher concentrations of low- and moderate-income households than the more rural towns in the assessment area.

According to the 1990 U.S. Census data, the population resides in 162,611 housing units. Approximately 78.6 percent of the housing units are within one- to four-family structures. The assessment area also has a fair amount of multifamily structures (five or more units). In fact, 19.8 percent of the area's housing stock is in multifamily structures. The highest concentrations of multifamily structures are within the more urban communities of Fitchburg, Leominster, and Worcester.

Approximately 54.1 percent of the area's housing stock is owner-occupied with an additional 39.4 percent renter-occupied. The rate of owner occupancy varies within the assessment area by the degree of urbanization. For example, in Worcester the rate of owner occupancy is only about 40.0 percent due to the higher concentration of multifamily apartment buildings, two- to four-family structures, and mixed-use commercial/residential properties. This contrasts with the more rural areas like Holden, Paxton, and Princeton where the rate of owner occupancy is over 80.0 percent.

Like much of New England, the cost of housing in the assessment area continues to rise. Recent statistics published by the Warren Group show that the area's median home sales prices for 2002 ranged from \$142,500 in Leicester to \$341,000 in Westborough. For the five-year period of January 1, 1998 to December 31, 2002, home sales prices have increased an average of 65.1 percent in the communities that comprise the assessment area. Rapidly rising home prices present an impediment to homeownership.

The assessment area has a diverse business base. According to 2002 Business Geodemographic Data, the assessment area has 23,026 business establishments. Approximately 40.5 percent of these establishments are centered in the services industry. Retail trade businesses and those involved in construction and manufacturing also comprise a significant share of the local businesses. Nearly half of the business establishments are spread throughout the assessment area's middle-income census tracts. The next largest concentration of business establishments at 29.1 percent is within the upper-income census tracts.

Approximately 76.6 percent of the assessment area's businesses are considered "small businesses" as their gross annual revenues are less than \$1 million. The majority of the businesses are also relatively small in terms of number of employees with nearly 55.8 percent of the establishments having four or fewer employees. The following organizations are among the largest employers in the area in terms of number of employees: Allmerica

Securities Trust, Worcester; UMASS Memorial Hospitals, Inc., Worcester; Saint Gobain Abrasives, Inc., Worcester; Saint Vincent Hospital LLC, Worcester; Frito Lay, Inc., Lunenburg; and Resource Management, Inc., Shrewsbury.

Flagship operates in a competitive market area in terms of financial services. The bank competes for loan volume with the many commercial banks, savings banks, credit unions, and mortgage brokers that operate in the area. Among the more prominent commercial lenders are First Massachusetts Bank, N.A., Fleet National Bank, Sovereign Bank, Commerce Bank & Trust Co., and Enterprise Bank and Trust. The bank's most direct competition in terms of deposits are the credit unions and the savings, cooperative, and commercial banks.

A representative from a business trade organization was consulted to gain insights into the Worcester area and its credit needs. This individual noted the importance of redeveloping the downtown areas and the abandoned industrial sites (the Brownfields). The redevelopment of these areas would attract new businesses to Worcester and ultimately expand the city's tax base. In terms of credit needs, the contact noted that businesses need access to funds for working capital, inventory financing, and facade improvements. A representative of an economic development corporation was also consulted for information about the Worcester area. The contact noted that the manufacturing sector continues to decline, but that the city maintains a diverse business base including organizations involved in health services, biomedical technology, finance, insurance, and education. In terms of credit needs, the contact also mentioned the importance of funding for Brownfields redevelopment projects and noted the need for start-up capital for new businesses.

Given the assessment area's large geographic area and its mix of urban, suburban, and rural areas, there is no one primary credit need. The area's residents need a variety of consumer loan products to meet personal needs and an array of home financing programs, particularly affordable home loans and rehabilitation loans. The area's business entities require numerous commercial credit options to meet a wide variety of financing purposes. Demand is especially strong for working capital loans for small businesses and start-up enterprises.

Refer to Table 1 in Appendix C for additional facts and data used in the description of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); (4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; (5) the distribution of small business and small farm loans by loan amount at origination; (6) the volume of community development lending; and (7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Flagship is primarily a commercial lender. Therefore, the Lending Test included a review of the bank's business lending, specifically, its small business loans. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. Information concerning small business lending was obtained from the CRA Loan Registers submitted annually by the bank to the Federal Reserve. This evaluation considered data for calendar years 2001 and 2002.

The bank has also collected data regarding other secured loans and lines for small business purposes. These loans have not been reported as small business loans as they were either to nonprofit organizations or were secured by residential real estate. Data for these loans was available for calendar year 2002 and has been considered in this evaluation.

Flagship also extends consumer loans for a variety of purposes. The bank has collected data regarding its home equity loans, secured consumer loans, and unsecured consumer loans. Data for these other loan products was available for calendar year 2002 and has been considered in this evaluation.

Flagship advertises the availability of residential mortgage loans and employs a loan originator to handle any such credit requests. However, most residential mortgage applications are underwritten, processed, and funded by the bank's affiliate Chittenden Trust Company. Consequently, these loans are not reported by Flagship in the Loan Application Registers (LAR) maintained pursuant to the Home Mortgage Disclosure Act.

As shown in Table 1 in Appendix D, Flagship itself does little in terms of home financing with just 15 reportable home mortgage loans totaling \$2.9 million. Therefore, residential lending was not weighed heavily in this CRA evaluation.

I. Lending Activity

Flagship's lending activity reflects an excellent responsiveness to the assessment area's credit needs. The bank has proven itself to be a dependable source of credit for the area's business community. Flagship has also helped to address the credit needs of the area's retail consumers.

For specific information concerning the volume of small business, consumer, and home mortgage lending, refer to Table 1 in Appendix D.

Small Business Loans

Flagship reported 283 small business loans in the assessment area totaling \$53.6 million. Small business loans are originated for a variety of business purposes such as working capital, business expansion, equipment purchases, and the purchase or refinance of commercial real estate. The success of Flagship's small business lending efforts is partly attributed to its active participation in the Small Business Administration (SBA) loan programs. During the review period, the bank originated 83 SBA program loans totaling \$21.2 million.

While Flagship is an active small business lender, the lending activity in the assessment area actually decreased in 2002 compared to 2001. In 2001 the bank originated 168 small business loans totaling \$34.4 million. In 2002, the bank originated 115 small business loans totaling \$19.2 million. This represents a decline of 31.5 percent by number of loans and 44.1 percent by dollar volume. This apparent decrease in loan volume, however, is not indicative of a decline in lending, but rather is the result of data reporting decisions on the part of the bank.

Other Lines and Loans for Purposes of Small Business

The bank has also collected data for other small business purpose loans. In 2002, the bank reported 24 loans in the assessment area totaling \$4.0 million. These loans are primarily working capital lines of credit for nonprofit organizations or business purpose loans secured by residential real estate.

Consumer Loans

Flagship offers a variety of consumer loan products for personal, family, or household purposes. In 2002, the bank reported 179 consumer loans in the assessment area totaling \$9.5 million. Nearly 75.0 percent of these loans were home equity loans secured by the borrower's residence. The remaining consumer loans were either unsecured or were secured by assets other than the borrower's home (passbook savings account secured, for example).

Home Mortgage Loans

Flagship reported 15 home mortgage loans in the assessment area totaling \$2.9 million. Most of the loans were originated for the purchase of one- to four-family residences. The remaining loans were for the refinance of a one- to four-family home or were secured by a multifamily residence (five or more units).

As mentioned previously, Flagship advertises the availability of home mortgage loans and employs a residential mortgage loan originator. However, home mortgage loan applications submitted to Flagship are forwarded to its affiliate for processing, underwriting, and funding. During the CRA review period, 453 loans totaling \$55.9 million were made possible in the bank's assessment area through this retail banking service. This notable volume of lending supplements the modest level of bank funded home loans in the area.

Percentage of Lending Inside the Assessment Area

Flagship has originated a substantial majority of its rated loans within the assessment area. The bank originated a combined total of 611 loans totaling \$95.3 million. Approximately 82.0 percent of the number of loans and 73.4 percent of the dollar volume was within the assessment area. Refer to Table 2 below for specific information regarding the bank's lending activity.

Table 2 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2001	168	82.4	36	17.6	204	34,422	78.4	9,947	21.6	43,919
2002	115	75.7	37	24.3	152	19,227	66.3	9,754	33.7	28,981
Subtotal	283	79.5	73	20.5	356	53,649	73.6	19,251	26.4	72,900
Other Loans for Small Business										
2001	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2002	24	80.0	6	20.0	30	3,961	67.8	1,882	32.2	5,843
Subtotal	24	80.0	6	20.0	30	3,961	67.8	1,882	32.2	5,843
Consumer										
2001	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2002	179	87.7	25	12.3	204	9,460	87.4	1,365	12.6	10,825
Subtotal	179	87.7	25	12.3	204	9,460	87.4	1,365	12.6	10,825
Home Loans										
2001	9	64.3	5	35.7	14	2,184	49.6	2,220	50.4	4,404
2002	6	85.7	1	14.3	7	778	56.3	603	43.7	1,381
Subtotal	15	71.4	6	28.6	21	2,962	51.2	2,823	48.8	5,785

Grand Total	501	82.0	110	18.0	611	70,032	73.4	25,321	26.6	95,353
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Source: CRA and HMDA Loan Registers for 2001 – 2002

Small Business Loans

As shown in Table 2, the bank reported 283 small business loans totaling \$53.6 million in the assessment area. This represents 79.5 percent of the number of small business loans and 73.6 percent by dollar volume. The proportion of small business lending in the assessment area declined in 2002 compared to 2001. However, the proportion inside the assessment area has consistently remained over 75.0 percent.

Other Lines and Loans for Purposes of Small Business

As shown in Table 2, the bank reported 24 other lines and loans for purposes of small business totaling \$4.0 million in the assessment area. This represents 80.0 percent by number of loans and 67.8 percent by dollar volume. No data is available for 2001.

Consumer Loans

As shown in Table 2, the bank reported 179 consumer loans totaling \$9.5 million in the assessment area. This represents 87.7 percent by number of loans and 87.4 percent by dollar volume. No data is available for 2001.

Homes Loans

As shown in Table 2, the bank reported 15 home loans totaling nearly \$3.0 million in the assessment area. This represents 71.4 percent of the number of home loans and 51.2 percent by dollar volume. While the volume of lending has declined, the percentage made within the assessment area has actually increased.

II. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well the bank is addressing the credit needs throughout the assessment area. Based on the review of the available loan data, the geographic distribution of loans reflects an excellent penetration throughout the assessment area's 95 census tracts, including those of low- and moderate-income.

For specific data concerning the geographic distribution of the small business loans, refer to Table 6a in Appendix D. For the home loan data, refer to Tables 2a through 5a in the same appendix. For information regarding the consumer loans, refer to Table 13, also in Appendix D.

Small Business Loans

Flagship has an excellent geographic distribution of small business loans. During the review period, Flagship reported 283 small business loans totaling \$53.6 million within the assessment area. Small business loans were made in all but 16 of the assessment area's 95 census tracts. These 16 census tracts include 2 low-, 4 moderate-, 8 middle-, and 2 upper-income census tracts. These census tracts combined contain only about 10 percent of the area's total business establishments. Most of the census tracts without any loan activity were in the City of Fitchburg where the bank has no physical presence.

The largest portion of Flagship's small business lending occurred in the middle-income census tracts with 132 small business loans totaling \$26.8 million. This represents 46.6 percent by number of loans and 50.0 percent by dollar volume. The strong performance in the middle-income census tracts is not surprising considering the fact that these census tracts contain nearly half of the assessment area's business establishments. Approximately 23.7 percent of the small business loans were in upper-income census tracts. The percentage of small business lending in the upper-income tracts also compared reasonably well to the percentage of business establishments located in those tracts. Most of the remaining small business loans were distributed throughout the moderate-income census tracts. The percentage of small business loans in the moderate-income census tracts actually exceeded the proportion of businesses located within that income category. A comparatively modest 9.5 percent of the small business loans were originated in the low-income census tracts. However, those tracts contain the lowest concentration of the area's business establishments.

The proportion of small business loans among the census tract income categories has been similar throughout the review period. Specifically, the middle-income census tracts have consistently accounted for the highest percentage of total loans followed by the upper-, moderate-, and low-income census tracts, respectively. Both the moderate- and upper-income census tracts showed a drop in activity in 2002 compared to 2001. Lending activity in the low-income census tracts has remained relatively constant.

Aggregate CRA small business loan data was reviewed for comparison purposes in evaluating the bank's record of small business lending in the low- and moderate-income census tracts. The aggregate data is used as a measure of demand and includes lending information from all CRA data reporting lenders that originated loans in the bank's assessment area. The most recent data available for this analysis covers calendar year 2001. In 2001, the geographic distribution of Flagship's small business loans was similar to the aggregate lenders in that the greatest proportion of lending occurred in the middle-income census tracts, with the next largest concentration in the upper-income areas. Flagship, however, placed a higher proportion of its small business loans in both the low- and the moderate-income census tracts. Performance in the moderate-income census tracts was particularly strong when compared to aggregate.

Other Lines and Loans for Purposes of Small Business

The geographic distribution of the other lines and loans for purposes of small business was similar to the distribution of small business loans. Specifically, the majority of the loans occurred in middle-income census tracts. In fact, 19 loans, or 79.2 percent of the total originated in the middle-income census tracts. The remaining loan volume was nearly evenly split between the upper- and moderate-income census tracts.

Consumer Loans

Flagship has an adequate geographic distribution of consumer loans. During 2002, Flagship reported 179 consumer loans totaling \$9.5 million within the assessment area. Nearly half of the loans were originated in the middle-income geographies. This high proportion of lending is reasonable considering that 52.1 percent of the assessment area's households are located in those tracts. The upper-income census tracts accounted for the next greatest share of loans at 44.7 percent by number. Since most of the loans in the upper-income census tracts were home equity loans of comparatively greater dollar amounts, the upper-income census tracts actually accounted for the greatest share of the dollar volume at 62.6 percent. The percentage of loans in the low- and moderate-income census tracts were both well below the percentage of households located in those areas.

Home Loans

The low number of bank funded home loans makes a meaningful conclusion regarding the geographic distribution difficult. Nonetheless, a reasonable dispersion of loans has been achieved throughout the area based on the available mortgage lending data. Much like the other loan categories, the majority of loans were originated in the middle-income census tracts.

As noted previously, the bank facilitated additional loan volume through its affiliate. This retail banking service generated an additional 453 home loans totaling \$55.9 million in the assessment area. Much like Flagship's direct lending, most of the loans were originated in the middle-income census tracts. Although lending in the low-income census tracts was minimal, a notable 7.0 percent of the loans were placed in the moderate-income census tracts. In fact, the bank's affiliate originated 32 loans totaling \$3.4 million in the moderate-income census tracts.

III. Distribution of Loans based on Business Revenue and Borrower Income

The distribution of loans based on business revenue and borrower income was reviewed to determine the extent to which the bank is addressing the credit needs of the small business customers and the area's residents. Based on the review of the available loan data, the bank has achieved an excellent penetration among its business customers of different revenue sizes and its retail borrowers of different income levels.

For specific data concerning the distribution of the small business loans, refer to Table 11a in Appendix D. For the home loan data, refer to Tables 6a through 10a in the same appendix. For information regarding the consumer loans, refer to Table 13, also in Appendix D.

Small Business Loans

Business establishments with gross annual revenues under \$1 million ("small businesses") accounted for the largest share of Flagship's small business lending. The bank reported 173 small business loans totaling \$32.0 million to these entities. This equals 61.1 percent by number of loans and 59.6 percent by dollar volume. This percentage of lending compares reasonably well to the proportion of small businesses in the area.

The proportion of lending to small businesses declined in 2002 compared to 2001. Specifically, the bank originated 52.2 percent of its loans to small businesses in 2002 compared to 67.3 percent in 2001. However, 2001 was not a typical year for Flagship as it placed an unusually high volume of loans to small businesses. The percentage of loans to small businesses has historically ranged between 45.8 percent to 59.7 percent of total loans. The volume of lending in 2002 is more in line with the bank's historic averages.

The proportion of loans to small businesses was compared to the aggregate lending data for 2001. Flagship compared favorably to the aggregate lenders with 67.3 percent of its loans to these businesses compared to 37.1 percent for all lenders.

As shown in Table 11a, approximately half of the bank's loans were originated in dollar amounts of \$100,000 or less. Loans of smaller dollar amounts typically represent a strong credit need for smaller businesses. Not shown in Table 11a is the fact that the aggregate of all lenders originated over 90.0 percent of its total loans in dollar amounts under \$100,000. However, the aggregate percentage is skewed upward by the high number business credit cards of lower dollar amounts.

Other Lines and Loans for Purposes of Small Business

Small businesses accounted for the largest share of the other lines and loans for purposes of small business. The bank reported 16 such loans totaling \$2.0 million to these entities. This represents 66.7 percent by number of loans and 50.4 percent by dollar volume. This

percentage of lending compares reasonably well to the proportion of small businesses in the area.

In terms of dollar amounts, approximately 41.7 percent of these loans were originated in dollar amounts less than \$100,000.

Consumer Loans

Flagship has an adequate distribution of consumer loan products based on borrower income. The bank originated 168 loans totaling \$9.3 million to borrowers for whom the income was known.

The greatest share of the consumer loans was to upper-income borrowers with 92 loans representing 54.5 percent of the total. Most of these loans were home equity loans secured by the borrower's residence. Compared to the other consumer loan categories, the home equity loans are of comparatively higher dollar amounts. Consequently, the upper-income borrowers also accounted for the greatest share of the dollar volume at 76.1 percent. The high proportion of lending to the upper-income borrowers is not entirely unexpected given that 40.9 percent of the area's households are classified as upper-income.

Middle-income borrowers accounted for the next largest share of loan originations with 41 loans totaling \$1.6 million. This equals 24.5 percent by number and 16.9 percent by dollar volume of loan originations. As with the upper-income borrowers, the majority of the loans were home equity loans. The loan activity to the middle-income borrowers is fairly comparable to the percentage of middle-income households in the assessment area.

The remaining loans by number were nearly even split between the low- and moderate-income borrowers. The moderate-income borrowers, however, had a greater share of the dollar volume than the low-income borrowers as they accounted for more of the home equity loan activity. Overall, the percentage of loans to the low- and moderate-income borrowers was well below their respective percentage of the area's total households.

Home Loans

The low number of bank funded home loans makes achieving a meaningful conclusion regarding the borrower distribution difficult. Also, most of the loans did not report a borrower income as they were investment properties or business purpose loans. Therefore, no conclusions have been made regarding the borrower distribution of home loans.

Flagship provided additional low- and moderate-income borrowers with access to home mortgage credit through its affiliate. This retail banking service facilitated 13 loans totaling

\$1.9 million to low-income borrowers and 81 loans totaling \$7.2 million to moderate-income borrowers.

IV. Community Development Lending

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

Flagship is a leader among banks of its asset size in terms of community development lending. As shown in Table 1 in Appendix D, the bank has originated 12 community development loans totaling \$3.9 million since the last CRA evaluation. Several of the loans have addressed important economic development needs such as Brownfields redevelopment, affordable housing, and job creation. Summarized below are the community development loans:

- On July 26, 2000, the bank granted a \$1.6 million commercial real estate loan to a newly formed limited liability corporation that was established to acquire, manage, remediate, and develop eight parcels of environmentally distressed real estate. The real estate is located within an Economic Opportunity Area in Worcester. The project represents a significant urban redevelopment initiative undertaken by a partnership consisting of a local private developer, a major local educational institution, and a nonprofit business development agency. Loan funds for the project came from three primary sources: Flagship, the Brownfields Redevelopment Loan Fund, and a Massachusetts public finance agency. The result of the project will be the creation of a new, mixed-use area with opportunities for commercial and retail use.
- The bank originated \$1.2 million in qualified community development loans to a Worcester-based nonprofit organization that provides comprehensive services to persons with developmental disabilities and to their family members. The organization operates facilities throughout Massachusetts, including the Worcester area, with the majority of the client patients being of low- and moderate-income. Several credit facilities to this borrower deserve mention: (1) The bank has a \$1 million share of a

\$2.5 million line of credit (LOC) to this group. (The remaining \$1.5 million has been participated out to the bank's affiliate, Chittenden Trust Company.) The LOC is secured by all business assets and is used to fund cash flow needs and to purchase client residences. (2) Flagship originated a \$207,000 loan to this organization to finance the construction of a children's respite center in Worcester. (3) Flagship has extended numerous mortgage loans secured by single family residences that are subsequently converted into client homes. Several of these loans totaling \$526,500 were secured by properties located in the bank's assessment area. While these particular loans have a community development purpose, they do not meet the CRA definition of community development since they have received credit elsewhere in this evaluation as a HMDA reportable loan. Still, the loans deserve special mention as they address a specific community development need.

- During the evaluation period, Flagship originated three loans totaling \$400,000 to a local nonprofit affordable housing agency. Each of the loans provided temporary bridge financing in the rehabilitation of multifamily affordable rental housing. The loans were repaid from city and state HOME funds.
- On June 2, 2000, the bank extended a \$250,000 bridge loan to nonprofit veteran's service agency in Fitchburg. The loan helped finance renovations to the agency's homeless shelter.
- On January 12, 2001, Flagship originated a \$150,000 construction loan to a nonprofit agency that operates several educational programs in Worcester. One of the educational programs was designed to combat the growing high school drop-out rates and is targeted specifically to students from low-income families. The loan proceeds were used to renovate and expand the school facilities.
- On November 16, 2001, the bank granted a \$100,000 short term time note to a nonprofit organization in Worcester that operates a low-income elderly housing complex. The unsecured loan addressed the organization's cash flow needs until grant money from the Department of Housing and Urban Development was received.
- On December 22, 1999, Flagship originated a \$65,000 LOC to a nonprofit organization in Leominster that operates facilities for women who are victims of domestic abuse. The LOC funded working capital needs and was secured by business assets.
- On September 6, 2002, the bank granted a \$47,500 vehicle loan to a nonprofit veteran's shelter. The loan financed the purchase of a mobile computer classroom vehicle. The vehicle will be used to provide educational services to its clients and to conduct community outreach computer training within Worcester.

- On March 11, 200, Flagship granted a \$12,000 vehicle loan to a nonprofit affordable housing agency. The loan financed the purchase of a truck to be used to transport donated furniture to low- and moderate-income people in the Worcester Area.

Flagship originated two commercial real estate loans through the SBA 504 loan program totaling \$2.6 million. The SBA 504 loans have a community development purpose since by definition they must facilitate the creation or retention of a specific number of jobs. The bank's loans funded the expansion of two local companies. While these loans have a community development purpose, they do not meet the CRA definition of community development since they have received credit elsewhere in this evaluation as a small business loan. Still, the loans deserve special mention as they address a specific community development need.

V. Innovative or Flexible Lending Products

Flagship uses innovative and/or flexible lending practices in order to better serve the assessment area's credit needs. The bank offers special loan programs geared towards its business customers and the area's non-profit organizations. Many of the loans originated through these programs were reported in the bank's CRA Loan Registers and have already received credit in the Lending Test. The programs themselves are described here in order to highlight the innovative features of the bank's business lending.

- **Small Business Administration (SBA) Loan Programs:** The bank is a SBA Preferred Lender and offers loans through the SBA's 7A Guaranty Loan Program and the 504 Lending Program. During the current CRA evaluation period, the bank originated 83 SBA program loans totaling \$21.2 million. As an added service, the bank will pay the SBA Guaranty fees at the option of the borrower. If the bank pays the guaranty fee, the cost is factored into the interest rate paid by the borrower. Nonetheless, this service reduces the amount of up-front funds needed from the borrower.
- **The Worcester and Montachusett Funds:** The Worcester fund was developed by Flagship to foster economic development in the downtown Worcester area and in the economically depressed neighborhoods. The Montachusett Fund has essentially the same purpose except it focuses on the northern Worcester County area. A special passbook savings account was established to provide the financial backing for these funds. Monies deposited into the funds are invested in three socially sensitive loan categories: affordable housing, economic development, and ecological/environmental projects.
- **United States Department of Agriculture (USDA) Business and Industry Guaranteed Loans:** The bank is an approved lender for this USDA program that was designed to create jobs and stimulate rural economies. This program provides guarantees up to 90.0 percent of a loan made by a commercial lender. Loans may be

used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. Due to the minimal number of eligible rural communities within the bank's assessment area, Flagship did not originate any loans under this program during the review period.

Flagship provides its retail customers with access to various special mortgage loan programs that assist lower-income people in pursuing or maintaining home ownership. The loans are originated by the bank's affiliate Chittenden Trust Company and include the following:

- **Federal Housing Administration 203(b):** This loan program provides mortgages that are 100 percent insured by the Federal Government for eligible borrowers to purchase one- to four-family owner-occupied properties. The program features expanded debt ratios, lower downpayment requirements, and the option to finance certain closing costs.
- **Massachusetts Housing Finance Agency (MHFA):** Loan applications are accepted for MHFA's first-time homebuyer, home improvement, and lead removal loan programs. The programs have special features and accommodations that are particularly attractive to low- and moderate-income borrowers.

VI. Fair Lending Policies and Practices

The bank's fair lending policy and procedures are incorporated in the loan policy and are comprehensive in nature and address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, ECOA (Reg. B), and the Consumer Protection Act, and HMDA.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance. This training includes counseling, if necessary, for borrowers who need financial assistance. The bank employs 141 employees of whom, 9% are minority. The bank currently employs 15 bilingual employees who are fluent in Arabic, French, Kannada, Korean, Lithuanian, Polish, Portuguesse, Spanish, and Urdeu to help those customers who may not speak English. In addition, one employee can communicate through American Sign Language.

The bank's staff volunteers their time to a variety of area organizations in need of their training and expertise. Flagship Bank and Trust markets its services and products to the community through a variety of media including print, cable television stations, radio, billboards, and through the Internet. Seminars are also conducted in order to make potential customers aware of the services the bank provides.

The bank has an established program of taking a second look at residential real estate and small business loans that are slated for denial. A secondary review of adverse action decisions for commercial loans is conducted by the Group Leader for Corporate Services. The bank's Mortgage Servicing Center an affiliate of Chittenden Bank, reviews all residential real estate loans slated for denial.

The bank's parent company compliance department conducts periodic reviews of the HMDA/LAR and SBLR to check for accuracy.

A review of the substantive provisions of anti-discrimination laws and regulations was conducted and no violations were identified.

VII. Loss of Affordable Housing

The bank's participation, along with its development of credit products with flexible lending criteria and its community development lending has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Flagship Bank and Trust Company is rated "High Satisfactory" in this area. The following describes the institution's qualified investments.

- **Massachusetts Housing Investment Corporation/Massachusetts Housing Equity Fund 2001 LLC (The Investment Company):** During 2002 the bank invested \$510,000 in the Mass Housing Equity Fund 2001 LLC. The Investment Company was formed in December 2001 to finance the acquisition of operating limited partnerships formed to acquire, rehabilitate, construct, operate, and manage multifamily properties located throughout Massachusetts, including the bank's assessment area. The operating limited partnerships are expected to qualify for federal low-income housing tax credits.

- **Worcester Venture Fund:** During 2000, the bank invested \$250,000 in this fund that supports the creation of new businesses in the communications, Internet commerce, and media industry. Funds are invested mainly in start-up businesses operating in the Worcester area. An additional \$25,000 was invested in this fund in January 2003. The total current book value of the bank's investment is now \$75,000.
- **BioVentures Investors, L.P. ("the Partnership"):** During 1998 Flagship invested \$250,000 in the partnership. The partnership serves as a business incubator for organizations involved in Biotechnology and Medical technology. The fund invests in start-up businesses operating throughout Massachusetts, including those located in the bank's assessment area. The book value of the bank's investment was \$230,578 as of December 31, 2002.

Charitable Contributions

The bank has provided contributions to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. During fiscal year 2000 the bank provided \$45,321. in charitable contributions, \$25,300 or 55.8 % of which was in qualified contributions and grants, in support for development of facilities which promote community development, as defined under the CRA regulation. During fiscal year 2001 the bank provided \$38,325 in charitable contributions, \$14,500 or 37.8% of which was in qualified contributions and grants. During fiscal year 2002 the bank provided \$93,725 in charitable contributions, \$15,381 or 16.4 %of which was in qualified contributions and grants. As of YTD June 2, 2003 the bank had contributed \$52,690. in charitable contributions and a total of \$8,140 or 15.5 % was for community development purposes. In addition for the period under review, the bank donated used personal computers and other miscellaneous equipment to the Martin Luther King Empowerment Center. The following are examples of these contributions:

- **Main South Community Development Corporation:** This organization is working to stabilize the low-income geographies surrounding Clark University through home ownership programs to low-and moderate-income individuals.
- **Oak Hill Community Development Corporation:** This CDC is a community revitalization organization serving the lower Grafton Hill area of the city. Oak Hill has created affordable housing for low-and moderate-income individuals in addition to creating economic development in the neighborhood.
- **Martin Luther King Business Empowerment Center:** The organization's objectives include financing small businesses and establishing a training facility for small businesses including start-up companies, as well as existing businesses in need of growth.

- **United Way of Central Massachusetts:** The organization offers community services targeted to low-and moderate income individuals. The majority of funds are directed to low-and moderate-income individuals.
- **Boys & Girls Club:** This particular Club operates in a low-income geography and provides comprehensive outreach programs to the low-and moderate-income individuals residing in the Main South neighborhood.
- **Worcester Common Ground:** This is an affordable housing agency, which is involved in revitalizing the most distressed areas of Worcester. These projects are a combination of rental housing rehabilitation and home ownership opportunities.
- **Seven Hills Foundation:** The Seven Hills organizations provide comprehensive services for persons with developmental disabilities and their family members throughout all of Massachusetts. Seven Hills Foundation is dedicated to promoting the welfare of developmentally disabled persons at home and in the community through supporting legislation and programs to improve education, opportunities and living conditions. The majority of the clients served by this organization are low and moderate-income individuals. Seven Hills foundation's primary revenue source is from Government contracts to serve the most needy individuals of the community.
- **Central Massachusetts Housing Alliance, Inc.:** This organization responds to the needs of the homeless ensuring appropriate sheltering and support services.

CONCLUSION (Investment Test)

As depicted above, Flagship has a significant level of qualified community development investments and grants, and has exhibited good responsiveness to credit and community economic development needs. Therefore, the bank's investment performance is rated High Satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Flagship Bank & Trust service activities are "Outstanding".

Delivery systems are accessible to essentially all portions of the assessment area. A network of seven banking offices provides personal access to financial services. Alternative delivery systems such as ATMs, computer banking, and telephone banking are available to help compensate for any immediate lack of access to banking facilities.

Officers and employees of the bank have provided an excellent level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the bank provide an excellent level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

Retail Banking Services

Distribution of Branches

Flagship's banking offices are concentrated mainly in the densely populated City of Worcester. The bank is headquartered in the center of downtown Worcester at 120 Front Street, which is designated as a low-income census tract. In addition to the main branch, Flagship maintains four additional full service banking offices within the City of Worcester one in a moderate-income census tract, and three in middle-income census tracts. A branch office is also operated in an upper-income census tract in the neighboring town of Shrewsbury. Lastly, a branch office is maintained in a moderate-income census tract in Leominster, a small city about 20 miles north of Worcester. Each of the locations is equipped with at least one ATM. In addition, the bank operates one stand-alone ATM at Union Station, in Worcester.

Branch Closing

A Branch Closing Policy is maintained by the bank and reviewed and approved by the Board annually. This policy outlines procedures to be followed should the decision be made to close an office. No branch offices have closed or opened since the last FDIC examination dated December 13, 1999.

Alternative Banking Services

Flagship offers customers a debit card that can be used for ATM transactions or point-of-sale (POS) purchases. The POS feature eliminates the need to write checks for purchases and helps customers avoid the inconvenience when personal checks are not accepted.

Flagship offers Internet banking through its Bank at Home service. Deposit customers with Internet access can use the service to pay bills, check balances, review account activity, or transfer funds. The bank's Internet website (www.flagshipbank.com) provides visitors with specific information about the accounts and services offered, branch locations, and hours of operation.

Flagship offers 24-hour telephone banking through its Express Line service. This service makes banking more accessible for consumers who cannot conduct their transactions at a branch office during regular banking hours. Customers can obtain account balances and rates, find branch locations and hours, and transfer funds between Flagship accounts.

Flagship offers bank-by-mail whereby customers can mail deposits to a checking or savings account. Customers who elect for this service are provided with postage-paid envelopes free of charge. Flagship also offers a bank-at-work program that provides incentives to customers that elect to have their paycheck direct deposited.

Flagship employs 15 bilingual individuals to improve access to bank services for the non-English speaking segments of the population. Included among the various languages spoken are Arabic, French, Korean, Lithuanian, Polish, Portuguese, and Spanish.

Reasonableness of Business Hours and Services

Flagship's business hours and services are tailored to the convenience and needs of the assessment area. All of the bank's retail and business services are available at each full-service location. Commercial, residential, and consumer loan applications are available and accepted at all of the offices.

Business hours vary slightly between office locations, but are convenient and competitive with other local institutions. Of note is the fact that four of the banking offices are open for 12 hours on Monday through Friday from 7:00am to 7:00pm. In addition, all banking offices except the main office feature Saturday hours. During the holiday seasons, several of the offices also offer Sunday hours.

As discussed in the Description of Institution section, Flagship offers a wide range of services for its retail, small business, and commercial customers. It is a full-service institution offering a good selection of credit, deposit, investment, and special services.

Other Services

As a participant in Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Flagship offers low cost savings and checking accounts to all segments of its assessment area, including those with modest incomes. The following details the low cost savings and checking accounts offered by Flagship:

- **Regular Savings:** There is no minimum balance on the bank's Basic Statement Savings Account and there are no monthly fees or service charges. If the account balance falls below \$500.00 no interest is paid on the account. An ATM card is available and no fees are charged for Flagship 24 ATM/NYCE transactions.
- **Basic Checking:** The Basic Checking Account requires no minimum balance, allows 10 free debits per month with a \$2.50 monthly fee. An ATM card is available with the account and Flagship 24 ATM transactions are free.
- **Passbook To The Future:** The bank offers this account to all children under the age of 18. This passbook account has no minimum balance requirements and interest is compounded daily. This account is designed to teach children how money and banking work as well as aid parents in saving for their children's future.
- The bank is a member of SUM, an alliance of Massachusetts' community banks that have agreed not to charge ATM surcharge fees to any of the other member bank's customers.

COMMUNITY DEVELOPMENT SERVICES

The Community Reinvestment Act defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Flagship officers and employees (approximately 28 officers and employees in 43 local organizations) are involved with community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are a sample of Flagship's qualified community development services.

- **United Way of Central Massachusetts:** The bank has played a significant role in supporting this entity. The organization offers community services targeted to low and moderate-income individuals. The majority of funds are directed to low and moderate-income individuals. The President of the bank serves as a Director. In addition, 6 bank officers do fundraising and offer financial expertise to the organization.
- **Central Massachusetts Housing Alliance, Inc.:** This public education and advocacy group offers housing assistance programs, first time homebuyer counseling, and assistance to families who are homeless or at risk of becoming homeless. The bank's president is a corporator of this organization.
- **Oak Hill Community Development Corporation:** This is a non-profit organization that seeks to empower the residents of its service area to revitalize neighborhoods its resource center, community outreach services and rehabilitation/construction of housing. A bank Vice President is on the loan committee for this organization.
- **Martin Luther King Business Empowerment Center:** The bank continues to play a significant role in bringing this organization to the forefront in the Worcester community. The organization's objectives include financing small businesses and establishing a training facility for small businesses including start-up companies, as well as existing businesses in need of growth. A bank's Assistant Vice President is a Board Member of the organization providing financial expertise.
- **Age Center of Worcester Area Inc.:** The Age Center is a non profit organization which serves the varied needs of elders in the greater Worcester Community through programs such as Meals on Wheels, Social Day Care, no fee companionship services, budgeting and bill paying. A bank Vice President is responsible for leading the Finance Committee and reporting on financial aspects of the agency to the Executive Committee and the Board Directors.
- **The Worcester East Side CDC:** The East Side CDC provides general economic development with a focus on providing affordable housing for residents of Worcester's East Side. The East Side CDC's projects include: reducing neighborhood blight, preserving current housing stock, increasing the availability of quality home ownership opportunities and promoting the activities of new and existing businesses. A bank's Vice President serves as Director for this organization.
- **North Central Massachusetts CRA Coalition:** This organization builds alliances and partnerships between financial institutions, municipalities, community-based agencies and others by maximizing the resources and talents of the members to increase access to capital, and to develop the most effective strategies and products for minority and low and moderate income individuals and communities. A bank's Vice President was

a former Board member and is currently a member offering financial and technical expertise.

- **Dynamy, Inc.:** This not-for-profit experiential educational organization was founded in 1969. Its mission is to challenge, support, and empower people of all ages to discover their purpose and to practice their values. Dynamy currently runs four programs: the [John S. Laws Institute](#), [Internship Year](#), [Teacher Renewal Workshops](#) and [Worcester Lyceum](#). A significant number of students participate in the John S. Laws Institute (JSL). The (JSL): 1) identifies promising low-income 8th grade students in the Worcester Public schools, 2) supports them in completing their high school education, 3) motivates and prepares them for college, and 4) guarantees them access to higher education. A bank's Vice President is a Board Member, Treasurer and Executive Committee Member.
- **Y.O.U., Inc.** This organization is the leading child welfare and behavioral health organization located in Central Massachusetts. Y.O.U., Inc. provides a wide range of social, psychological, educational, vocational, and other preventive and rehabilitation programs for troubled and at-risk children, adolescents and families. A Bank's Vice President is a board member offering financial expertise and technical assistance.

Flagship provides technical assistance and support to organizations involved in community development. The following are notable examples:

- Flagship staff assisted a local Community Development Corporation in completing applications for funding through the Federal Home Loan Bank's (FHLB) Affordable Housing Program (AHP). The AHP offers grants and subsidized advances for affordable housing in two competitive rounds each year. Flagship assisted the local non-profit organization with two applications during the review period, both of which resulted in FHLB awards totaling \$222,190. Completing the applications requires a significant commitment of time and expertise on the part of Flagship personnel.
- In 2002 Flagship Bank & Trust accepted donations from the public for the benefit of the American Red Cross September 11, relief fund. Patrons and customers of the bank donated \$8,503. for the fund.
- Flagship has assisted several local non-profits involved in affordable housing, business development, and social services by allowing the use of the bank's conference rooms for their meetings. The meeting space has been provided on a case-by-case basis free of charge to groups with a demonstrated need.

In addition to specific community development services provided by officers of the bank, the staff and Board Members continue to select worthy causes to support through human or

financial resources. Although not all choices meet the technical requirements to qualify as a community development service, a large percentage of the involvement includes activities that are aimed at revitalizing or stabilizing various low and moderate-income areas. Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Services and Seminars

- A series of seven first time homebuyer seminars were offered in 2000, 2001, 2002 and 2003 in conjunction with the Worcester Community Housing Resources. These seminars were designed to attract low and moderate-income individuals.
- The bank established and continues to offer the “Savings Makes Cents Program” at the Belmont Street School, which is located in a low-income census tract and the Spring Street School in Shrewsbury. This program helps teach children the value of thrift.
- In August of 2001 a former bank Vice President was a guest speaker at the Entrepreneurs Seminar sponsored by the Martin Luther King, Jr. Business Empowerment Center (MLK). The purpose of this seminar was to acquaint small business owners about the Small Business Administration (SBA) and its financing options.
- In May of 2002 a bank Vice President held a seminar at the Saint Bernard's Church on Lincoln Street in Worcester. The purpose of this seminar was to acquaint small business owners about the Small Business Administration (SBA) and their financing options.

CONCLUSION (Service Test)

As illustrated above, officers and employees of Flagship Bank & Trust Company demonstrated an excellent level of service activity and involvement in community organizations throughout its assessment area. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area. Therefore, a rating of “Outstanding” is awarded.

APPENDIX A

SCOPE OF EXAMINATION:

Flagship Bank and Trust Company
SCOPE OF EXAMINATION: Large Bank CRA including the Lending, Investment, and Services Tests.
TIME PERIOD REVIEWED: December 14, 1999 through June 2, 2003.
PRODUCTS REVIEWED: CRA small business loans Calendar Years 2001 and 2002. Optional Loan Data (home equity loans, secured/unsecured consumer) for 2002. Community Development Loans and Investments from December 14, 1999 to June 2, 2003 were included.

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
Affiliate(s):	Affiliate Relationship:	Products Reviewed:
Chittenden Corporation	Holding Company	None
Chittenden Trust Company	Affiliated Bank	None
Maine Bank and Trust	Affiliated Bank	None
The Bank of Western Massachusetts	Affiliated Bank	None
Ocean National Bank	Affiliated Bank	None

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Assessment Area	Large Bank CRA	Not Applicable	Bank Defined

APPENDIX B - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Rural Area: Territories, populations and housing units that are not classified as urban.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

APPENDIX C – DEMOGRAPHIC DATA

Institution ID: 30000027134 FLAGSHIP BANK & TRUST CO

Table 1: Demographic Data

Demographic Information for Full Scope Area: Flagship AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	98	7.14	16.33	50.00	23.47	3.06
Population by Geography	410,217	5.68	16.97	50.21	26.49	0.64
Owner-Occupied Housing by Geography	87,993	0.99	8.10	56.09	34.82	0.00
Business by Geography	23,026	11.27	13.15	46.34	29.06	0.17
Farms by Geography	424	0.71	4.48	51.18	43.40	0.24
Family Distribution by Income Level	105,460	19.49	16.84	24.17	39.50	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	38,316	10.05	23.89	50.34	15.71	0.00
Median Family Income		41,714	Median Housing Value		137,593	
HUD Adjusted Median Family Income for 2002		59,097	Unemployment Rate (1990		3.6%	
Households Below Poverty Level		9.97%	US Census)			

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

APPENDIX D – FFIEC CORE TABLES
Standard Core Data Tables
December 14, 1999 to June 2, 2003

The Federal Financial Institution Examination Council (FFIEC) has adopted a standard set of data tables, sequentially numbered 1 – 15, for use in every Large Bank CRA Public Evaluation (PE). Any tables not included in the PE were excluded because the institution has not originated or purchased any loans in the relevant category during the period under review or did not elect to report consumer loan data.

LENDING ACTIVITY

Table 1	Lending Volume
Table 2a	Geographic Distribution of Home Purchase Loans
Table 3a	Geographic Distribution of Home Improvement <i>(Not applicable)</i>
Table 4a	Geographic Distribution of Home Mortgage Refinance Loans
Table 5a	Geographic Distribution of Multifamily Loans
Table 6a	Geographic Distribution of Small Loans to Businesses
Table 7a	Geographic Distribution of Small Loans to Farms <i>(Not applicable)</i>
Table 8a	Borrower Distribution of Home Purchase Loans
Table 9a	Borrower Distribution of Home Improvement Loans <i>(Not applicable)</i>
Table 10a	Borrower Distribution of Home Mortgage Refinance Loans
Table 11a	Borrower Distribution of Small Loans to Businesses
Table 12a	Borrower Distribution of Small Loans to Farms <i>(Not applicable)</i>
Table 13	Geographic and Borrower Distribution of Consumer Loans

INVESTMENTS AND BRANCHES

Table 14	Qualified Investments
Table 15	Distribution of Branch Delivery System and Branch Openings/Closings

Institution ID: 30000027134FLAGSHIP BANK & TRUST CO

Table 1. Lending Volume

LENDING VOLUME		Geography: FLAGSHIP AA				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												

* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From December 14, 1999 to June 2, 2003.

*** Deposit Data as of January 01, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

LENDING VOLUME		Geography: FLAGSHIP AA						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002				
Flagship Bank & Trust – 1999	100.00	0	0	0	0	0	0	1	65	1	65	100.00
Flagship Bank & Trust – 2000	100.00	0	0	0	0	0	0	4	2,257	4	2,257	100.00
Flagship Bank & Trust – 2001	100.00	9	2,184	168	34,422	0	0	2	250	179	36,856	100.00
Flagship Bank & Trust – 2002	100.00	6	778	115	19,227	0	0	4	1,209	125	21,214	100.00
Flagship Bank & Trust – 2003	100.00	0	0	0	0	0	0	1	100	1	100	100.00

Table 1. Other Products

LENDING VOLUME		Geography: FLAGSHIP AA						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Total Optional Loans		Other Loans/Lines for Small Business **		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:														
Flagship Bank & Trust – 2001	100.00	0	0	0	0	0	0	0	0	0	0	0	0	100.00
Flagship Bank & Trust – 2002	100.00	203	13,421	24	3,961	131	9,066	0	0	0	0	21	275	100.00

* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Optional Product Line(s) is From January 01, 2001 to December 31, 2001.

*** Deposit Data as of January 01, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: 30000027134 **FLAGSHIP BANK & TRUST CO.**

Table 1. Other Products

LENDING VOLUME		Geography: FLAGSHIP AA		Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002	
MA/Assessment Area (2001):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
Full Review:					
Flagship Bank & Trust – 2001	0	0	0	0	
Flagship Bank & Trust – 2002	27	119	0	0	

* The evaluation period for Optional Product Line(s) is From January 01, 2002 to December 31, 2002.

Institution ID: 30000027134 FLAGSHIP BANK & TRUST CO.

Table2a. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: FLAGSHIP AA				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Flagship Bank & Trust – 2001	8	100.00	0.99	12.50	8.10	0.00	56.09	87.50	34.82	0.00	1.90	11.79	53.17	33.13
Flagship Bank & Trust – 2002	2	100.00	0.99	0.00	8.10	0.00	56.09	100.00	34.82	0.00	1.90	11.79	53.17	33.13

* Based on 2001 Peer Mortgage Data: US and PR.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 4a. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE 2002				Geography: FLAGSHIP AA				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31,						
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Flagship Bank & Trust – 2001	1	100.00	0.99	0.00	8.10	100.00	56.09	0.00	34.82	0.00	0.89	6.42	52.95	39.73
Flagship Bank & Trust – 2002	3	100.00	0.99	33.33	8.10	66.67	56.09	0.00	34.82	0.00	0.89	6.42	52.95	39.73

* Based on 2001 Peer Mortgage Data: US and PR.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: 30000027134 FLAGSHIP BANK & TRUST CO.

Table 5a. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: FLAGSHIP AA				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Flagship Bank & Trust – 2001	0	0.00	17.54	0.00	23.16	0.00	46.71	0.00	12.59	0.00	30.84	32.71	32.71	3.74
Flagship Bank & Trust – 2002	1	100.00	17.54	0.00	23.16	100.00	46.71	0.00	12.59	0.00	30.84	32.71	32.71	3.74

* Based on 2001 Peer Mortgage Data: US and PR.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

Table 6a. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES 2002			Geography: FLAGSHIP AA						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31,					
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income			
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Flagship Bank & Trust – 2001	168	100.00	11.27	8.93	13.15	22.62	46.34	40.48	29.06	27.98	6.11	14.67	55.88	23.34
Flagship Bank & Trust – 2002	115	100.00	11.27	10.43	13.15	16.52	46.34	55.65	29.06	17.39	6.11	14.67	55.88	23.34

* Based on 2001 Peer Small Business Data: US&PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2002).

Table 8a. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE				Geography: FLAGSHIP AA				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002						
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data *			
	#	% of Total **	% Families *	% BANK Loans ****	% Families **	% BANK Loans ***	% Families ***	% BANK Loans **	% Families ***	% BANK Loans *	Low	Mod	Mid	Upp
Full Review:														
Flagship Bank & Trust – 2001	8	100.00	19.49	0.00	16.84	0.00	24.17	0.00	39.50	0.00	3.56	18.39	29.60	48.45
Flagship Bank & Trust – 2002	2	100.00	19.49	0.00	16.84	0.00	24.17	0.00	39.50	100.00	3.56	18.39	29.60	48.45

* Based on 2001 Peer Mortgage Data: US and PR.

** As a percentage of loans with borrower income information available. No information was available for 100.00% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 10a. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE 2002			Geography: FLAGSHIP AA						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31,					
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data *			
	#	% of Total**	% Families *	% BANK Loans****	% Families ***	% BANK Loans***	% Families ***	% BANK Loans***	% Families ***	% BANK Loans***	Low	Mod	Mid	Upp
Full Review:														
Flagship Bank & Trust – 2001	1	100.00	19.49	0.00	16.84	0.00	24.17	0.00	39.50	100.00	3.26	15.51	28.16	53.08
Flagship Bank & Trust – 2002	3	100.00	19.49	0.00	16.84	0.00	24.17	0.00	39.50	0.00	3.26	15.51	28.16	53.08

* Based on 2001 Peer Mortgage Data: US and PR.

** As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 11a. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES 2002					Geography: FLAGSHIP AA			Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002	
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data *	
	#	% of Total **	% of Businesses ***	% BANK Loans ****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Flagship Bank & Trust – 2001	168	100.00	76.63	67.26	47.02	26.79	26.19	13,050	4,845
Flagship Bank & Trust – 2002	115	100.00	76.63	52.17	55.65	25.22	19.13	13,050	4,845

* Based on 2001 Peer Small Business Data: US&PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)

Geographic and Borrower Distribution: CONSUMER LOANS							Geography: FLAGSHIP AA				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002							
MA/Assessment Area:	Geographic Distribution										Borrower Distribution							
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total*	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans		
Full Review:																		
Flagship Bank & Trust – 2001	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Flagship Bank & Trust – 2002	179	100.00	5.84	1.68	16.90	4.47	52.06	49.16	25.20	44.69	24.85	10.18	15.10	10.78	19.57	24.55	40.48	54.49

* Consumer loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.

** Percentage of Households is based on the 1990 Census Information.

Institution ID: 30000027134 FLAGSHIP BANK & TRUST CO.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: FLAGSHIP AA		Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					
MA/Assessment Area:	Prior Period Investments *		Current Period Investments		Total Investments			Unfunded Commitments **	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Flagship Bank & Trust	1	231	92	648	93	879	100.0	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Institution ID: 30000027134 FLAGSHIP BANK & TRUST CO.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS 2001 TO DECEMBER 31, 2002								Geography: FLAGSHIP AA				Evaluation Period: JANUARY 1,					
MA/Assessment Area:	Deposi ts	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposi ts in AA	# of BANK Branch es	% of Rated Area Branch es in AA	Location of Branches by Income of Geographies (%)				# of Branch Openin gs	# of Branch Closin gs	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Flagship Bank & Trust	100.00	7	100.00	14.29	28.57	42.86	14.29	0	0	0	0	0	0	5.68	16.97	50.21	26.49

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

Flagship Bank and Trust Company

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JUNE 2, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

